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## Venezuela

## Grain and Feed

## Annual

## 2003

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### Report Highlights:

Venezuela is undergoing a severe economic and political crisis. The consensus forecast is that the economy is going to decline between 15 and 20 percent during 2003, with inflation and devaluation surpassing 50 percent. In late January the Government imposed the exchange and price controls, and as of the end of March foreign exchange for imports was still not available. Most grain-derived staples are included in the list of controlled items, and are on the priority list to receive foreign exchange when it becomes available. In addition, a three-year drought is expected to significantly reduce the area planted to rice, corn and sorghum production, making it likely that Venezuela will need to import rice for the first time since 1996.

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Includes Trade Matrix: Yes  
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## **Executive Summary**

Venezuela is undergoing a severe economic and political crisis. The consensus forecast is that the economy is going to decline between 15 and 20 percent during 2003, with inflation and devaluation surpassing 50 percent. In late January the Government imposed exchange and price controls, and as of the end of March foreign exchange for imports was still not available. Most grain-derived staples are included in the list of controlled items, and are on the priority list to receive foreign exchange when it becomes available. In addition, a three-year drought is expected to significantly reduce the area planted to rice, corn and sorghum production, making it likely that Venezuela will need to import rice for the first time since 1996. The trade estimates included in these tables assume that foreign exchange will become available to importers within the next couple of months. For further background on the grain and feed situation in Venezuela refer to VE2007.

## **Wheat Highlights**

Wheat consumption is forecast to experience a modest drop in 2002/03 due to higher prices and reduced purchasing power. Domestic production of wheat is negligible due to climatic factors. The US will remain a major supplier of about 45 percent of Venezuela's imported wheat, with Canada the other main supplier. Wheat consumption will not drop significantly because pasta and bread constitute low-cost basic staples of the Venezuelan diet, however recently established price controls set bread and pasta prices at relatively higher levels which is consistent with the government's policy of promoting corn and rice consumption. The Government has shown an open policy toward wheat imports and has declared that there will not be restrictions on the issuance of import licenses for wheat during 2003. Wheat is included among the high priority products to receive dollars when foreign exchange is made available.

PSD Table						
Country	Venezuela					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2002	Preliminary	2003	Forecast	2004
	Old	New	Old	New	Old	New
Market Year Begin		7/2001		7/2002		7/2003
Area Harvested	0	0	0	0		0
Beginning Stocks	50	50	60	70		50
Production	0	0	0	0		0
TOTAL Mkt. Yr. Imports	1300	1310	1200	1200		1200
Jul-Jun Imports	1300	1310	1200	1200		1200
Jul-Jun Import U.S.	500	558	500	500		560
TOTAL SUPPLY	1350	1360	1260	1270		1250
TOTAL Mkt. Yr. Exports	30	30	0	0		0
Jul-Jun Exports	30	30	0	0		0
Feed Dom. Consumption	0	0	0	0		0
TOTAL Dom. Consumption	1260	1260	1230	1220		1220
Ending Stocks	60	70	30	50		30
TOTAL DISTRIBUTION	1350	1360	1260	1270		1250

Import Trade Matrix			
Country	Venezuela		
Commodity	Wheat		
Time period	July-June	Units:	1000 MT
Imports for:	2000/2001		2001/2002
U.S.	570	U.S.	558
Others		Others	
Canada	628		720
Total for Others	628		1278
Others not Listed	42		32
Grand Total	1240		1310

Source: Venezuelan National Statistics Institute

Prices Table			
Country	Venezuela		
Commodity	Wheat		
Prices in	Bolivars	per uom	kg
Year	2001	2002	% Change
Jan	713.66	717.9	0.59%
Feb	715.9	742.22	3.68%
Mar	721.84	873.1	20.95%
Apr	723.86	928.68	28.30%
May	666.38	947.88	42.24%
Jun	676.94	967.42	42.91%
Jul	679.94	1094.78	61.01%
Aug	677.9	1236.38	82.38%
Sep	679.36	1282.1	88.72%
Oct	695.5	1334.84	91.93%
Nov	701.02	1380.18	96.88%
Dec	707.22	1380.18	95.16%
Exchange Rate	1,600	Local currency/US \$	

Source: Venezuelan National Statistics Institute

## **Rice Highlights**

Venezuela has been self-sufficient in rice production in recent years, but due to the impact of a three-year drought in the major irrigated production area (see VE2017) rice imports will be needed in 2003 and 2004 to avoid a drop in availability and a run-up in prices. Venezuela's rice production area is estimated to drop by almost 25 percent in 2003, from 95,000 to 70,000 hectares as the Guarico production area remains dry. Rice imports are currently estimated at 150,000 tons during 2003, but could go higher. The government has been trying to stimulate rice consumption as an alternative to wheat and corn based products, but with the current production shortfalls and the drop in consumer purchasing power consumption of all products is expected to decline. The recently set internal price control domestic rice is currently below market prices in Colombia, and it is estimated that some product is moving across the border in contraband or "green" channels. Rice imports could occur in either paddy or milled form since there is a sophisticated milling industry in the country. The government will need to allocate both foreign exchange and import permits to allow the rice trade to occur.



PSD Table						
Country	Venezuela					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2002	Preliminary	2003	Forecast	2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	105	95	110	70		75
Beginning Stocks	125	125	46	24		20
Milled Production	356	320	375	240		250
Rough Production	525	475	553	350		375
MILLING RATE (.9999)	6786	6786	6786	6786		6786
TOTAL Imports	25	0	100	150		200
Jan-Dec Imports	0	0	0	0		0
Jan-Dec Import U.S.	0	0	0	0		0
TOTAL SUPPLY	506	445	521	414		470
TOTAL Exports	0	8	0	40		50
Jan-Dec Exports	0	0	0	0		0
TOTAL Dom. Consumption	460	413	470	354		400
Ending Stocks	46	24	51	20		20
TOTAL DISTRIBUTION	506	445	521	414		470

Prices Table			
Country	Venezuela		
Commodity	Rice, Milled		
Prices in	bolivars	per uom	kilo
Year	2001	2002	% Change
Jan	514	570.94	11.08%
Feb	517.38	583.84	12.85%
Mar	520.5	627.74	20.60%
Apr	529.18	665.2	25.70%
May	522.02	672.56	28.84%
Jun	526.93	677.66	28.61%
Jul	537.39	698.74	30.02%
Aug	546.24	736.18	34.77%
Sep	549.67	807.87	46.97%
Oct	549.67	872.5	58.73%
Nov	560.43	943.87	68.42%
Dec	567.01	1000	76.36%
Exchange Rate	1,600	Local currency/US \$	

Source: Venezuelan National Statistics Institute

## **Corn Highlights**

Venezuela mainly produces white corn for human consumption, but production is estimated to decline in 2002/03 due to dry conditions and inability to obtain seed and fertilizer at planting time. Due to the recession, we expect domestic consumption of white corn to drop slightly this year, even though precooked corn flour is a staple component of the Venezuelan diet. Corn imports traditionally go to the feed sector, which has been severely battered by restrictions on imports in recent years. Meat producers are now arguing that price controls on pork and poultry are too low to cover their cost of inputs, and may lead to a 20 to 30 percent reduction in operations this year. In addition, demand for poultry and pork is also expected to drop due to the harsh economic situation. Both feed use and human use estimates for corn are expected to be lower in 2003/04, but expected to improve in 2003/04 as the economic situation stabilizes.

PSD Table						
Country	Venezuela					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2002	Preliminary	2003	Forecast	2004
	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	450	450	400	400		430
Beginning Stocks	225	225	50	87		37
Production	1200	1150	1200	1050		1150
TOTAL Mkt. Yr. Imports	470	512	600	450		550
Oct-Sep Imports	470	512	600	450		550
Oct-Sep Import U.S.	450	506	580	440		540
TOTAL SUPPLY	1895	1887	1850	1587		1737
TOTAL Mkt. Yr. Exports	0	0	0	0		0
Oct-Sep Exports	0	0	0	0		0
Feed Dom. Consumption	550	500	650	400		500
TOTAL Dom. Consumption	1845	1800	1800	1550		1680
Ending Stocks	50	87	50	37		57
TOTAL DISTRIBUTION	1895	1887	1850	1587		1737

Prices Table			
Country	Venezuela		
Commodity	Corn		
Prices in	Bolivars	per uom	Kg
Year	2001	2002	% Change
Jan	528.04	548.8	3.93%
Feb	526.06	554.83	5.47%
Mar	524.99	594.19	13.18%
Apr	525.17	636.31	21.16%
May	518.78	640.84	23.53%
Jun	519.28	642.65	23.76%
Jul	515.31	644.3	25.03%
Aug	513	685.73	33.67%
Sep	512.18	764.55	49.27%
Oct	515.14	768.18	49.12%
Nov	519.1	765.71	47.51%
Dec	542.23	780	43.85%
Exchange Rate	1,037	Local currency/US \$	

Source: Venezuelan National Statistics Institute

## **Sorghum Highlights**

Sorghum production will drop slightly during 2003, from 330,000 to 316,000 tons due to poor planting conditions and a reduction in demand for feed from the poultry and pork sectors. The Venezuelan government has consistently opposed sorghum imports in recent years and we do not expect that policy to change. Small amounts of sorghum seed for planting may be imported. The government is encouraging pork and poultry producers to incorporate high levels of sorghum in their feed rations, but is likely to set the domestic support price at a high level that will discourage sorghum feed use in commercial operations.

PSD Table						
Country	Venezuela					
Commodity	Sorghum				(1000 HA)(1000 MT)	
	Revised	2002	Preliminary	2003	Forecast	2004
	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	136	136	140	130	0	135
Beginning Stocks	30	30	30	30	0	21
Production	330	330	340	316	0	330
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	360	360	370	346	0	351
TOTAL Mkt. Yr. Exports	0		0	0	0	0
Oct-Sep Exports	0		0	0	0	0
Feed Dom. Consumption	330	330	340	325	0	330
TOTAL Dom. Consumption	330	330	340	325	0	330
Ending Stocks	30	30	30	21	0	21
TOTAL DISTRIBUTION	360	360	370	346	0	351

## Prices

The following table illustrates changes in consumer prices for three basic grain products, a kilogram of rice, a kilogram of corn flour, and a half kilo of pasta. This data is from the National Statistics Institute for 2002, and includes the controlled price established in February 2003.

Product 2002	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Price Control
Rice	571	584	628	665	673	678	699	736	808	873	944	875	940
C o r n Flour	549	555	594	636	641	643	644	686	765	768	766	780	750
Pasta	359	371	437	464	474	484	547	618	641	667	690	698	900